

12.3/29.1 v.1
NO DATE

ATTACHMENT 1

FIRST AMENDMENT TO LEASE AGREEMENT
AND
RIGHT OF FIRST REFUSAL

This First Amendment dated this 30 day of September, 1998, to that certain Lease Agreement and Right of First Refusal dated and effective January 1, 1998, ("Lease") by and between Harald L. Hurlen, as Lessor, and Hurlen Construction Company, a Washington corporation, Lessee.

1. Lease Amendments. Lessor and Lessee hereby amend the Lease as follows:

a. Paragraph 1, "PREMISES", is hereby deleted in its entirety and the following paragraph is substituted therefor:

"PREMISES

1. The Lessor does hereby lease to Lessee, and Lessee does hereby lease from Lessor, those certain premises whose address is 620 and 700 South Riverside Drive, Seattle, King County, Washington, which premises are more particularly described on the attached Exhibit A, which Exhibit A is incorporated herein by this reference (hereinafter called "Premises"). The respective legal descriptions for 620 and 700 South Riverside Drive, Seattle, Washington are specifically set forth on Exhibit A."

b. Paragraph 4, "RENT", is hereby deleted in its entirety and the following paragraph is substituted therefor:

"RENT

4. For the year 1998, Lessee agrees to pay to Lessor, in lawful money of the United States, as rental for said Premises a yearly rent of Fifty-nine Thousand One Hundred Sixty-six and 80/100 Dollars (\$59,166.80). Payment shall be made in a monthly amount of one-twelfth (1/12) of the rent owed for the year which is the sum of Four Thousand Nine Hundred Thirty and 57/100 Dollars (\$4,930.57) per month for 1988.

The rent shall be increased by one percent (1%) in each succeeding year of the Lease

Agreement. Rental payment shall be made on the 1st of each month in the amount of one twelfth (1/12) of the total rent due for that year. Set forth below is a schedule of the yearly rents payable for the years 1998, 1999 and 2000.

<u>YEAR</u>	<u>RENTAL AMOUNT</u>
1998	\$59,166.80
1999	\$59,758.47
2000	\$60,356.05"

c. The legal description captioned "Parcel B" on Exhibit A is hereby deleted in its entirety.

Addendum 1 d. added. HL

2. Effective Date. The effective date of these amendments shall be January 1, 1998.

3. Ratification. Except as amended herein, Lessor and Lessee approve, confirm and ratify the rest and remainder of the Lease including but not limited to Right of First Refusal and Option to Renew, which shall remain in full force and effect.

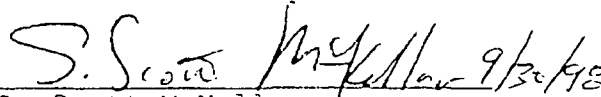
IN WITNESS WHEREOF, Lessor and Lessee have executed this Lease Amendment on the day and year first written above.

LESSOR:

LESSEE:

Hurlen Construction Company


Harald L. Hurlen

By  9/30/98
S. Scott McKellar
Its President

STATE OF WASHINGTON)

) ss.

County of King)

On this day personally appeared before me Harald L. Hurlen, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he

Addendum to the First Amendment to Lease Agreement
And

Right of First Refusal

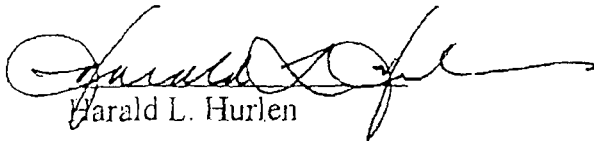
October 31, 1998 *SSM*

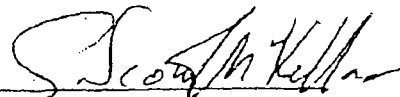
d. For each month after ~~September 30, 1998~~ that Lessee continues to occupy the property known as the Wagner Building, Lessee shall pay Lessor the monthly rate \$850.00 for each month, or proportionate part thereof, the property is occupied by the Lessee.

LESSOR:

LESSEE:

Hurlen Construction Company


Harold L. Hurlen

By 
S. Scott McKellar
Its President

Printed Name: SONIA COLE
NOTARY PUBLIC in and for the
State of Washington, residing at
SEATTLE
My Commission expires: 4-18-99

Jennifer S. Suzuki
Printed Name: JENNIFER SUZUKI
NOTARY PUBLIC in and for the
State of Washington, residing at
2011 E
My Commission expires: 12-29-98

Addendum to the First Amendment to Lease Agreement
And

Right of First Refusal

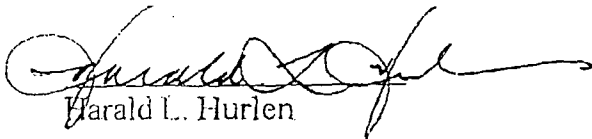
~~October 1, 1998~~ *September 30, 1998*

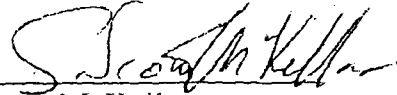
d. For each month after ~~September 30, 1998~~ that Lessee continues to occupy the property known as the Wagner Building, Lessee shall pay Lessor the monthly rate \$850.00 for each month, or proportionate part thereof, the property is occupied by the Lessee.

LESSOR:

LESSEE:

Hurlen Construction Company


Harald L. Hurlen

By 
S. Scott McKellar
Its President

SECOND AMENDMENT TO LEASE AGREEMENT
AND
RIGHT OF FIRST REFUSAL

This Second Amendment dated this 16 day of January, 2000, to that certain Lease Agreement and Right of First Refusal dated and effective January 1, 1998, ("Lease") by and between Harald L. Hurlen, as Lessor, and Hurlen Construction Company, a Washington Corporation, as Lessee.

1. Lease Amendments. Lessor and Lessee hereby amend the Lease as follows:

- a. Paragraph 4, "RENT", is hereby deleted in its entirety and the following paragraph is substituted therefor:
"RENT"

4. For the year 2001, Lessee agrees to pay to Lessor, in lawful money of the United States, as rental for said Premises a yearly rent of Sixty-eight Thousand Fifty- seven and 51/100 Dollars (\$68,057.51). Payment shall be made in a monthly amount of one-twelfth (1/12) of the rent owed for the year, which is the sum of Five Thousand Six Hundred Seventy-one and 46/100 Dollars (\$5,671.46) per month for 2001.

The rent shall be increased by three and one-half percent (3 ½%) in each successive year of the Lease Agreement. Rental payment shall be made on the 1st of each month in the amount of one twelfth (1/12th) of the total rent due for that year. Set forth below is a schedule of the yearly rents payable for the years 2001, 2002, 2003, 2004 and 2005.

YEAR	RENTAL AMOUNT
2001	\$68,057.51
2002	70,439.52
2003	72,904.91
2004	75,456.58
2005	78,097.56

- b. Paragraph 27, "POLLUTION LIABILITY", shall be added in its entirety.

27(a). With the potential of the Duwamish River being named to the federal Superfund list, the Lessee shall eliminate all possibilities of any contaminants and/or "Hazardous Materials" from entering the Duwamish River. There shall be Compliance Audits performed quarterly by the Lessee, with a record kept at the site.

27(b). Lessee shall develop a series of "Best Management Practices" for dealing with the site specific issues and potential pollution sources. Along with this, a methodology of "Housekeeping" shall be developed specifically addressing the issue of pollution and the prevention thereof.

27(c). All effluent pathways shall be identified and signed. Lessee shall not permit any direct effluent and /or stormwater runoff to be allowed to enter the Duwamish River.

27(d). Lessee shall develop a "Spill Control and Containment Plan" in accordance with applicable laws and regulations, outlining potential liabilities and correct responses for each.

27(e). All these programs shall be developed and implemented as soon as reasonably practical. Copies of same shall be mailed to Lessor's address of record. Failure to comply with these requirements shall be cause for termination of the Lease.

c. The term "Hazardous Material" for purposes of this Lease means any chemical, substance, material or waste or component thereof which is now or hereafter listed, defined or regulated as a hazardous or toxic chemical, substance, material or waste or component thereof by any federal, state or local governing or regulatory body having jurisdiction. Lessee agrees and warrants that it has not since January 1, 1996, released or discharged Hazardous Material onto the premises and Lessee agrees not to release or otherwise discharge any Hazardous Material onto the Premises or permit Lessee's employees, agents, contractors or other occupants of the premises to engage in such activities. Lessee further agrees that it shall at all times transport, handle, use, store and/or otherwise maintain any Hazardous Material on or about the Premises according to then-existing laws established by any federal, state, or local governing or regulating body having jurisdiction. In the event of a past or future violation of the foregoing, Lessee shall immediately, properly and in compliance with all applicable laws, rules and regulations, clean up and remove any Hazardous Material from the Premises or any other affected property at Lessee's expense. Lessee also agrees to indemnify and hold Lessor harmless of, from and against any and all losses, liabilities, damages, injuries, costs, expenses and claims of any and every kind whatsoever (including without limitation court costs and attorney's fees) which at any time or from time to time may be paid, incurred or suffered by or asserted against Lessor for, with respect to, or as a direct or indirect result of any breach by Lessee, its agents, invitees, officers, or licensees of any of the covenants or provisions set forth in this Agreement. The provisions of and undertakings and indemnifications set forth in this agreement shall survive the termination and expiration of the Lease by and between Lessor and Lessee, and shall continue to be the obligation of the respective parties, their successors and assigns.

d. Paragraph 24(d), "INSURANCE/CLAIMS," Shall be amended by adding the following paragraph: Lessee shall obtain and maintain a

"Contractor's Pollution Liability" Policy, and a "Terminal Operator's Liability" (with sudden and accidental pollution liability coverage with a 72 hour discovery clause). Each policy to have a One Million Dollar (\$1,000,000.00) limit, along with the Five Million Dollar (\$5,000,000.00) Umbrella, both naming the Lessor as additional insured throughout the term of this Lease.

2. Option to Renew. Lessor grants to Lessee the option to renew this Lease for a subsequent five (5) year period. Rent for the subsequent five (5) year period (Option Period) shall be set in an amount mutually agreed upon by the Lessor and Lessee, or shall be determined under the formula set forth below if mutual agreement cannot be reached:
 - a. Rent for the first year of the Option Period shall be set at the greater of a One percent (1%) annual increase over the rent payable for the year 2005, which amount is SEVENTY EIGHT THOUSAND NINETY SEVEN AND 56/100THS DOLLARS (\$78,097.56) per year, or the amount computed when the \$68,057.51 rental charge of 2001 has been increased by the Consumer Price Index (CPI) applicable for the year 2001 and each year thereafter, on an annual basis, such that the rent due for the year 2006 would equal the same amount of rent as would have existed for each year after 2001, had the rent been increased in the amount of any CPI increase for each of the previous years.
 - b. For the remaining four (4) years of the Option Period, rent shall be set at an amount equal to the prior's year rent plus an amount equal to the higher of a one percent (1%) increase of the previous year's rent or the percentage increase in the CPI over the previous year applied to the previous year's rent.
 - c. For purposes of this paragraph, the term Consumer Price Index (CPI) means the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers, U.S. City Average, 1982-1984 Base. If the CPI is not available by January of any year so that the percentage adjustment cannot be determined by January, then the appropriate adjustment shall be determined at such time as the CPI is available. The rental adjustment shall nevertheless be effective commencing January of each year; provided, however if the exact adjusted rental cannot be computed because of the unavailability of the CPI, then the existing rental shall continue until the CPI is available at which time the rental adjustment shall be computed and Lessee shall pay the adjusted monthly rental from and after that date, together with any additional rental which may be due and owing for prior months by virtue of said adjustment to the end that the adjusted monthly rental shall be paid by the Lessee retroactive to January of each year. If the CPI hereinabove described shall be unavailable, the parties agree to utilize an alternative index, which is similar to, said CPI as reasonably as possible.
3. Effective Date. The effective date of this amended Lease shall be January 1, 2001.

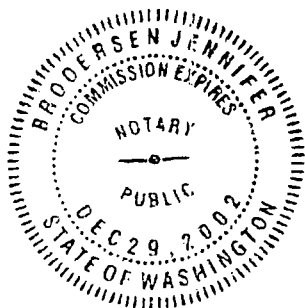
Kinderen Majera

STATE OF WASHINGTON)
) ss.
County of King)

On this day personally appeared before me, S. Scott McKellar, to me known to be the President of Hurlen Construction Company, the Corporation that executed the foregoing instrument, and acknowledged the said instrument to be free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation

WITNESS my hand and official seal hereto affixed this 16 day of

January, 2003.



Printed Name Jenny Brodersen
NOTARY PUBLIC in and for the State of
Washington, residing at Seattle
My Commission expires: 12-29-02

CONSENT TO ASSIGNMENT AND THIRD AMENDMENT
TO
LEASE AND RIGHT OF FIRST REFUSAL

This Consent to Assignment and Third Amendment to Lease and Right of First Refusal ("Third Amendment") by and between Harald L. Hurlen ("Lessor") and American Civil Constructors West Coast, Inc., a California corporation ("ACCWC"), is effective as of June 7, 2002 ("Effective Date").

RECITALS

Whereas, pursuant to an Asset Purchase Agreement dated June 7, 2002 (the "Purchase Agreement"), ACCWC purchased substantially all of the assets of Hurlen Construction Company, a Washington corporation ("HCC"), and

Whereas, HCC is the original lessee under the Lease and Right of First Refusal by and between Lessor and HCC effective as of January 1, 1996 (as amended by First Amendment and Second Amendment, the "Lease"), as amended by First Amendment to Lease Agreement and Right of First Refusal dated September 30, 1998 ("First Amendment") and as further amended by Second Amendment to Lease Agreement and Right of First Refusal dated January 16, 2000 ("Second Amendment");

Whereas, pursuant to Section 12 of the Lease, the prior written consent of Lessor is required to assign the Lease;

Whereas, HCC assigned the Lease to ACCWC in connection with the Purchase Agreement; and

Whereas, ACCWC has requested Lessor to enter into this formal consent to assignment and amendment to certain terms of the Lease.

AGREEMENT

Now, therefore, in consideration of the mutual promises contained herein, Lessor and ACCWC agree as follows:

Section 1. Consent to Assignment. Lessor consents to the assignment of the Lease by HCC to ACCWC (the "Assignment") and agrees that such consent shall be deemed to fully satisfy all terms and conditions for assignment of the rights and obligations under the Lease as set forth therein. Lessor (i) acknowledges that the Assignment will be effective as of the Effective Date; (ii) consents to accept performance by ACCWC of all obligations of the Lessee arising under the Lease on or after the Effective Date pursuant to this Assignment; (iii) agrees that the Lease will remain in full force and effect in accordance with its terms after the Assignment, and (iv) acknowledges and agrees as of the Effective Date, Lessor is unaware of any breach or default by HCC of any of its obligations under the Lease and there is no event now known to

Lessor that may entitle him to terminate the Lease.

Section 2. Term. Lessor and ACCWC agree and acknowledge that the current term of the Lease expires on December 31, 2005.

Section 3. Deletion of Paragraph 22. Paragraph 22, Right of First Refusal, shall be deleted in its entirety.

Section 4. Ownership of Name. Pursuant to the Purchase Agreement, HCC assigned all of the right, title and interest in and to the name "Hurlen Construction Company" (the "Name") and the right to use and the goodwill associated with the Name to ACCWC. ACCWC currently uses the Name and expects that it will continue to use the Name in connection with its business. If ACCWC is no longer using the Name on the fifth anniversary of the Effective Date, then ACCWC assigns to Lessor right, title and interest in and to the Name.

Section 5. Agreement to Perform. ACCWC does hereby assume and agree to perform each and every obligation under the Lease, First Amendment, Second Amendment arising on or after the Effective Date and to also perform each and every obligation under this Third Amendment arising on or after the Effective Date. The Lease shall remain in full force and effect. In the event of any conflict between this Third Amendment and the Lease, this Third Amendment shall control.

Sent By: HURLEN CONST;

IN WITNESS WHEREOF, the parties have executed this Consent to Assignment and Third Amendment to Lease and Right of First Refusal to be effective as of the Effective Date.

**AMERICAN CIVIL CONSTRUCTORS WEST
COAST, INC.**

By: S. Scott McKellar
Name: S. Scott McKellar
Title: Vice President

HARALD L. HURLEN

State of WASHINGTON)

) ss.

County of KING)

On this 17 day of OCTOBER, 2002, before me, the undersigned, a Notary Public in and for the State of WASHINGTON, duly commissioned and sworn, personally appeared S SCOTT MCKELLAR, to me known to be the VICE PRESIDENT of American Civil Constructors West Coast, Inc., the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath, stated that (s)he is authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.

WITNESS my hand and official seal hereto affixed the day and year first above written.



A handwritten signature in cursive script, appearing to read "Carrie L. Hansel".

Printed Name: CARRIE L HANSEL
NOTARY PUBLIC in and for the State of
WASHINGTON, residing at EGATA, 98198
My commission expires: 10-1-2005

STATE OF WASHINGTON)

) ss.

COUNTY OF _____)

On this _____ day of _____, 2002, before me, a Notary Public in the and for the State of Washington, duly commissioned and sworn, personally appeared HAROLD L. HURLEN, to me known to be the individual who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntarily act and deed for the uses and purposed therein mentioned.

GIVEN under my hand and official seal this hereto affixed the day and year first written above.

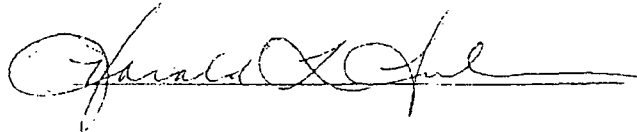
Printed Name: _____
NOTARY PUBLIC in an for the State of
Washington, residing at _____
My appointment expires _____

IN WITNESS WHEREOF, the parties have executed this Consent to Assignment and Third Amendment to Lease and Right of First Refusal to be effective as of the Effective Date

AMERICAN CIVIL CONSTRUCTORS WEST
COAST, INC.

By: _____
Name: _____
Title: _____

HARALD L. HURLEN

A handwritten signature in dark ink, appearing to read "Harald L. Hurlen", is written over a horizontal line.

State of _____)

) ss.

County of _____)

On this _____ day of _____, 2002, before me, the undersigned, a Notary Public in and for the State of _____, duly commissioned and sworn, personally appeared _____, to me known to be the _____ of American Civil Constructors West Coast, Inc., the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath, stated that (s)he is authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation

WITNESS my hand and official seal hereto affixed the day and year first above written.

Printed Name: _____

NOTARY PUBLIC in and for the State of _____

residing at _____

My commission expires: _____

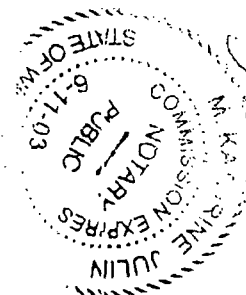
STATE OF WASHINGTON)

) ss.

COUNTY OF King)

On this 31 day of Oct, 2002, before me, a Notary Public in the and for the State of Washington, duly commissioned and sworn, personally appeared HARALD L. HURLEN, to me known to be the individual who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntarily act and deed for the uses and purposed therein mentioned.

GIVEN under my hand and official seal this hereto affixed the day and year first written above.

Printed Name: M. K. LarkinsNOTARY PUBLIC in and for the State of Washington, residing at MinneapolisMy appointment expires 6/11/03

FOURTH AMENDMENT TO LEASE AND RIGHT OF FIRST REFUSAL

This Fourth Amendment to the Lease and Right of First Refusal dated January 1, 1996, as amended by First Amendment dated September 30, 1998, as amended by Second Amendment dated January 16, 2000, and as amended by Third Amendment dated June 7, 2002, (collectively the "Lease"), between Hurlen Construction Company, as Lessee, which lease was assigned and the obligations assumed by American Civil Constructors West, Inc., Assignee (now "Lessee"), and Harald L. Hurlen, as Lessor, is effective December 21, 2005.

RECITALS

WHEREAS, Lessee has requested an extension of the lease term;

WHEREAS, Lessor is willing to grant such extension in exchange for the amendments herein stated:

AGREEMENT

NOW, THEREFORE, in consideration of the recitals set forth above and the amendments contained herein, the parties agree as follows:

1. The Lease is hereby modified to extend the term for an additional five (5) year term. Rental shall be as stated below:

RENT

For the year 2006, Lessee agrees to pay to Lessor, in lawful money of the United States, as rental for said Premises a yearly rent of One Hundred Thirty-two Thousand Dollars (\$132,000.00). Payment shall be made in a monthly amount of one-twelfth (1/12) of the rent owed for the year which is the sum of Eleven Thousand (\$11,000.00) per month for 2006.

The rent shall be increased by three percent (3%) in each succeeding year of the Lease term. Rental payments shall be made on the 1st day of each month in the amount of one-twelfth (1/12) of the total rent due for that year. Set forth below is a schedule of the yearly rents payable for the years 2007, 2008, 2009 and 2010.

YEAR	RENTAL AMOUNT
2007	\$135,960.00
2008	\$140,003.80
2009	\$144,203.91
2010	\$148,530.02

2. Lessee understands that Lessor may subsequently enter into easements or other

agreements with the Port of Seattle, or other applicable regulatory entity, concerning the use of Lessor's property currently located within the Duwamish waterway ("Waterway property"). Lessee agrees to abide by any and all terms and obligations imposed upon Lessor which may be contained in any such subsequent easement and/or lease arrangement entered into with the Port of Seattle, or other entity, for use of Waterway property as if such terms and obligations were directly imposed herein upon Lessee. Lessee acknowledges that it has received a copy of a draft easement agreement, the format which may be subsequently executed by Lessor as modified to apply to Lessee's existing business at the premises. Lessee agrees that any fees due and payable to the Port of Seattle, or other entity, whether for easement fees, lease fees, or other taxes, over the amount due in calendar year 2006 shall be additional rent hereunder and shall immediately be paid, in full, to Lessor, as and when due.

3. Effective Date. The effective date of this amendment shall be 1 JAN
2006

4. Ratification. Except as amended herein, Lessor and Lessee approve, confirm and ratify the rest and remainder of the Lease, which shall remain in full force and effect.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Lease Amendment on the day and year first written above.

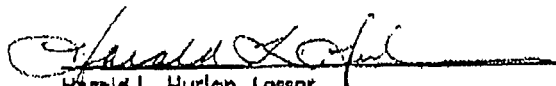
DATED: 11 FEB, 2006

AMERICAN CIVIL CONSTRUCTORS WEST, INC, ASSIGNEE AND
LESSOR

BY 

Its:

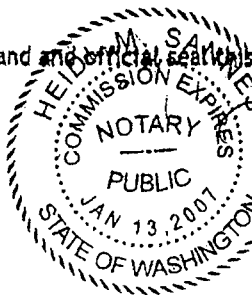
VICE PRESIDENT


Harold L. Hurlen, Lessor

State of WA)
) ss.
 County of KING)

On this day, before me, a Notary Public, in and for said county and state, personally appeared WILL CLARK, who, being by me duly sworn, did say that He is the Vice-President of American Civil Constructors, Inc., a Washington corporation, that said instrument was duly executed by authority of a resolution adopted by the Board of Directors of said corporation, and said President duly acknowledged to me that said corporation executed the same as President.

GIVEN under my hand and official seal this 13 day of FEB, 2006.



Heidi M. Sannes
 Printed Name: HEIDI M. SANNES
 NOTARY PUBLIC in and for the State of
 Washington, residing at Asbourn
 My commission expires: 1/13/07

STATE OF _____)
) ss.
 COUNTY OF _____)

On this _____ day of _____, 2006, before me, a Notary Public in the and for the State of Washington, duly commissioned and sworn, personally appeared HARALD L. HURLEN, to me known to be the individual who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntarily act and deed for the uses and purposed therein mentioned.

GIVEN under my hand and official seal this hereto affixed the day and year first written above.

 NOTARY PUBLIC in an for the State of
 Washington residing at
 My appointment expires

LEASE AGREEMENT AND RIGHT OF FIRST REFUSAL

THIS LEASE, effective this 1st day of January, 1996, between HARALD L. HURLEN, hereinafter referred to as Lessor, and HURLEN CONSTRUCTION COMPANY, hereinafter referred to as Lessee, WITNESSETH:

PREMISES

1. The Lessor does hereby lease to Lessee, and Lessee does hereby lease from Lessor, those certain premises whose address is 620, 582, and 700 South Riverside Drive, Seattle, King County, Washington, which premises are more particularly described on the attached Exhibit A, which Exhibit A is incorporated herein by this reference (hereinafter call "Premises"). The respective legal descriptions for 620, 582 and 700 South Riverside Drive, Seattle, Washington are specifically set forth on Exhibit A.

BUSINESS PURPOSE

2. The Premises are to be used for the purpose of operation of marine construction business. The Premises shall be used for no other business other than by written consent of the Lessor.

TERMS

3. This Lease shall be for a term of five (5) years and shall commence on the 1st day of January, 1996, and shall terminate at midnight on the 31st day of December, 2001.

RENT

4. For the year 1996, lessee agrees to pay to Lessor, in lawful money of the United States, as rental for said Premises a yearly rent of SIXTY EIGHT THOUSAND AND NO/100ths DOLLARS (\$68,000.00). Payment shall be made in a monthly amount of one-twelfth (1/12) of the rent owed for the year which is the sum of FIVE THOUSAND SIX HUNDRED SIXTY SIX AND 67/100THS DOLLARS (\$5,666.67) per month for 1996.

The rent shall be increased by one percent (1%) in each succeeding year of the Lease Agreement. Rental payment shall be made on the 1st of each month in the amount of one-twelfth (1/12) of the total rent due for that year. Set forth below is a schedule of the yearly rents payable for the years 1997, 1998, 1999, and 2000:

<u>YEAR:</u>	<u>RENTAL AMOUNT</u>
1997	\$68,680.00
1998	\$69,366.80
1999	\$70,060.47
2000	\$70,761.07

REPAIRS AND MAINTENANCE

5. The Premises have been inspected and are accepted by Lessee in their present condition. The Lessor shall not be called upon to make any improvements or repairs of any kind upon the premises, except as otherwise specified herein. All repairs and maintenance shall be at Lessee's sole cost and expense. Except for reasonable wear and tear, Lessee will at all times preserve said Premises in as good repair as they are now and may hereafter be put to.

Lessee agrees at all times to maintain the Premises in a neat, clean, and sanitary condition, and will replace any glass of all windows and doors as may become cracked or broken at Lessee's sole cost, all in accordance with the laws of the State of Washington and the regulations of King County or the City of Seattle, and in accordance with all rules, directions, regulations of the Health Officer, Fire Marshall, Building Inspector, or other proper officer or regulatory body of the State of Washington, King County or the City of Seattle, at the sole cost and expense of the Lessee. Lessee will permit no waste, damage, or injury to the Premises and, at Lessee's own cost and expense, will keep all interior drainage pipes free and open and will protect interior water, heating, and other pipes so that they will not freeze or become clogged. Lessee shall repair all interior leaks and will also repair all damage caused by interior leaks or by reason of Lessee's failure to protect and keep free, open, and unfrozen any of the interior pipes and plumbing on the Premises. Lessee shall be responsible for the removal of ice and snow from the sidewalks in front of and about the Premises.

SURRENDER OF PREMISES

6. Lessee agrees that at the expiration or sooner termination of the Lease, Lessee will quit and surrender the said Premises without notice, and in a neat and clean condition and in as good condition as received by Lessee, ordinary wear and tear excepted, and will deliver up all keys belonging to said Premises to Lessor or Lessor's agents.

UTILITIES AND INSPECTION FEES

7. Lessee hereby covenants and agrees to pay all charges for all utility services to the Premises, including, but not limited to, heat, light, gas, electricity, water, sewer, and garbage.

FEES AND TAXES

8. All fees, taxes, assessments, and other governmental charges payable to the city, county, state, or other municipal corporation during the life of this Lease shall be paid by the Lessee. Real property taxes shall be paid by Lessor as they shall come due. However, Lessor shall only be responsible for the amount of real property tax that is currently assessed for calendar year 1996. Correspondingly, Lessee shall be responsible to pay the amount of any increase in real property taxes. For example, if the bill for property taxes was \$1,000 in 1996 and \$1,200 in 1997, Lessor would be responsible for payment of \$1,000 of the property tax bill and Lessee would be responsible for \$200 of that property tax bill. In regard to those real property taxes, Lessor shall be responsible for paying the actual tax bill, while Lessee shall be required to reimburse Lessor for the portion of the tax bill for which Lessee is responsible.

SIGNS

9. It is understood and agreed that all signs or symbols placed on the exterior of said Premises by Lessee shall be subject to the approval of the Lessor, which approval shall not be unreasonably withheld. All such signs or symbols shall be removed by the Lessee, at Lessee's sole cost and expense, at the termination of this Lease term.

ALTERATIONS

10. Lessee shall not make any alternations, additions, or improvements in the Premises without the consent of Lessor in writing first being obtained, which consent shall not be unreasonably withheld, and all alterations, additions, and improvements which shall be made, shall be at the sole cost and expense of the Lessee and shall become the property of the Lessor and shall remain in and be surrendered with the Premises as a part thereof at the termination of this Lease, without disturbance, molestation, or injury. If the Lessee shall perform work with the consent of the Lessor, as aforesaid, Lessee shall comply with all laws, ordinances, rules, and regulations of King County or any other authorized public authority. The Lessee further shall save the Lessor free and harmless from damage, loss, or expense arising out of the said work.

LIENS AND INSOLVENCY

11. Lessee shall keep the leased Premises and the property therein free from any liens arising out of any work performed, materials furnished, or obligations incurred by Lessee. In the event Lessee becomes insolvent, voluntarily or involuntarily bankrupt, or if a receiver, assignee, or other liquidating officer is appointed for the business of the Lessee, then the Lessor may cancel this Lease at Lessor's option. In the event of any entry or taking possession of the Premises as provided herein, the Lessor shall have the right, but not the obligation, to remove from the Premises all personal property located therein and may place the same in storage at a public warehouse at the expense and risk of the owners thereof.

ASSIGNMENT AND SUBLETTING

12. Lessee shall not assign this Lease or any part thereof and shall not let or sublet the whole or any portion of the Premises without the written consent of Lessor or Lessor's agent. If consent is once given by the Lessor to the assignment of this Lease, or any interest therein, Lessor shall not be barred from afterwards refusing to consent to any further assignment.

ACCESS

13. Lessee will allow Lessor or Lessor's agent free access at all reasonable times to said Premises for the purpose of inspection, cleaning or making repairs, additions, or alterations to the Premises or to any property owned by or under the control of Lessor, but this right shall not be construed as an agreement on the part of the Lessor to make repairs, additions, or alterations. The Lessor shall have the right to place and maintain "For Rent" signs in a conspicuous place on said Premises and to show the Premises to prospective tenants for thirty (30) days prior to the expiration of this Lease.

DEFAULT AND RE-ENTRY

14. Time is of the essence hereof. If any rents above reserved, or any part thereof, shall be and remain unpaid when the same shall become due, or if Lessee shall violate or default in any of the covenants and agreements herein contain, then the Lessor may cancel this Lease upon giving the notice required by law, and re-enter said Premises, but notwithstanding such re-entry by the Lessor, the liability of the Lessee for the rent provided for herein shall not be extinguished for the balance of the term of this Lease, and Lessee covenants and agrees to make good to the Lessor any deficiency arising from a re-entry and re-letting of the Premises at a lesser rental than herein agreed to. The Lessee shall pay such deficiency each month as the amount thereof is ascertained by the Lessor.

No receipt of monies by the Lessor from the Lessee after the termination of the Lease in any way, or after giving any notice, shall reinstate, continue, or extend the term of the Lease

or affect any notice given to the Lessee prior to the receipt of such monies. The foregoing remedy of the Lessor shall not be exclusive, but shall be cumulative and in addition to all remedies now or hereafter allowed by law or elsewhere provided.

COSTS AND ATTORNEYS FEES

15. If by reason of any default on the part of Lessee it becomes necessary for the Lessor to employ an attorney or in case Lessor shall bring suit to recover any rent due hereunder, or for breach of any provision of this Lease or to recover possession of the leased Premises, or if Lessee shall bring any action for any relief against Lessor, declaratory or otherwise, arising out of this Lease, the prevailing party shall have and recover against the other party, in addition to the costs allowed by law, such sum as the court may adjudge to be a reasonable attorneys fee. In the event the Lessee defaults in the payment of rental, the Lessee agrees to pay for the cost of any collection agency or attorney, employed by Lessor.

NON-WAIVER OF BREACH

16. The failure of the Lessor to insist upon strict performance of any of the covenants and agreements of this Lease, or to exercise any option herein conferred in any one or more instances, shall not be construed to be a waiver or relinquishment of any such, or any other covenants and agreements, but the same shall be and remain in full force and effect.

CONDEMNATION

17. In the event of the taking of the demised Premises herein by condemnation or otherwise by any governmental, state, or local authority, this Lease shall be deemed cancelled as of the time of taking possession by said authority, and if Lessee is not in default under any provisions of this Lease on said date, the Lease consideration herein receipted for, if any, shall be refunded to the Lessee, as well as rental paid for any period beyond the date of cancellation. Lessee shall have no claim to nor shall it be entitled to any portion of any award for damages to the land or building.

HOLDOVER

18. If the Lessee shall, with the written consent of Lessor, holdover after the expiration of the term of this Lease, such tenancy shall be for an indefinite period of time on a month-to-month tenancy, which tenancy may be terminated as provided by the laws of the State of Washington. During such tenancy, Lessee agrees to pay to the Lessor the same rate of rental as set forth herein, unless a different rate is agreed upon, and to be bound by all of the terms, covenants, and conditions as herein specified, so far as applicable.

NOTICES

19. All notices to be given by the parties hereto shall be in writing and may be either served personally or may be deposited in the United States Mail, postage prepaid, by either registered mail or certified mail. Notices to be give Lessor shall be addressed to Lessor at:

21512 Miller Bay Road Northeast
Poulsbo, Washington 98370

or at such other address as Lessor shall from time to time specify. Notices to be given Lessee may be addressed to Lessee at the leased Premises.

SUBORDINATION

20. In the event Lessor places a mortgage or deed of trust on the Premises or any portion thereof, and the lender requires that this Lease be subordinate to the mortgage or deed of trust, Lessee agrees to subordinate this Lease to the mortgage or deed of trust and to execute any and all documents required to effectuate said subordination.

POSSESSION

21. In the event of the inability of Lessor to deliver possession of the Premises, or any portion thereof, at the time of the commencement of the term of this Lease, Lessor shall not be liable for any damage caused thereby, nor shall this Lease thereby become void or voidable, nor shall the term herein specified be in any way extended, but in such event, Lessee shall not be liable for any rent until such time as Lessor can deliver possession.

RIGHT OF FIRST REFUSAL

22. Lessor hereby grants to Lessee a right of first refusal to purchase the Premises at 620 and 700 South Riverside Drive, Seattle, Washington at the same price, terms and conditions as Lessor is prepared to sell the Premises to any third party. However, no such right of first refusal is granted as to the Premises at 582 South Riverside Drive, Seattle, Washington. "Premises", as it is used in the remainder of this Paragraph refers only to the properties at 620 and 700 South Riverside Drive, Seattle, Washington. Lessor shall give to Lessee written notice of its intention to offer the Premises for sale or of any offer to purchase the Premises by a third party, which notice shall specify the price, terms and exact conditions at which Lessor shall offer the Premises for sale or of the offer top purchase by a third party. Lessee shall have thirty (30) days from the date of receipt of said written notice to elect whether to purchase the Premises upon the same price, terms, and conditions as specified in the notice. In like manner, Lessor shall give to Lessee written notice of any modification or change in the price, terms, or conditions at which Lessor shall offer the Premises for sale or any offer to purchase received by Lessor. In the event of said modification, Lessee shall have an additional thirty (30) days to elect whether to purchase the Premises upon the price, terms,

and conditions as specified in the modified notice. During said thirty day period or any extension or renewal thereof, Lessor shall not sell the Premises or conclude the sale thereof. If Lessee has not notified Lessor in writing of its election to purchase the Premises within the time periods hereinabove specified, Lessor may proceed to sell the Premises and Lessee's right of first refusal as herein provided shall be terminated.

OPTION TO RENEW

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23. Lessor grants to Lessee the option to renew this Lease for a subsequent five (5) year period. Rent for the subsequent five (5) year period (Option Period) shall be set in an amount mutually agreed upon by the Lessor and Lessee, or shall be determined under the formula set forth below if mutual agreement cannot be reached:

(a) Rent for the first year of the Option Period shall be set at the greater of a one-percent (1%) annual increase over the rent payable for the year 2000, which amount is SEVENTY ONE THOUSAND THREE HUNDRED EIGHTY SIX AND NO/100THS DOLLARS (\$71,386.00) per year, or the amount computed when the \$68,000 rental charge of 1996 has been increased by the Consumer Price Index (CPI) applicable for the year 1996 and each year thereafter, on an annual basis, such that the rent due for the year 2001 would equal the same amount of rent as would have existed for each year after 1996, had the rent had been increased in the amount of any CPI increase for each of the previous years.

(b) For the remaining four (4) years of the Option Period, rent shall be set at an amount equal to the prior year's rent plus an amount equal to the higher of a one-percent (1%) increase of the previous year's rent or the percentage increase in the CPI over the previous year applied to the previous year's rent.

(c) For purposes of this paragraph, the term Consumer Price Index (CPI) means the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index, All Urban consumers, U.S. City Average, 1982-1984 Base. If the CPI is not available by January of any year so that the percentage adjustment cannot be determined by January, then the appropriate adjustment shall be determined at such time as the CPI is available. The rental adjustment shall nevertheless be effective commencing January of each year; provided, however, if the exact adjusted rental cannot be computed because of the unavailability of the CPI, then the existing rental shall continue until the CPI is available at which time the rental adjustment shall be computed and Lessee shall pay the adjusted monthly rental from and after that date, together with any additional rental which may be due and owing for prior months by virtue of said adjustment to the end that the adjusted monthly rental shall be paid by the Lessee retroactive to January of each year. If the "CPI" hereinabove described shall be unavailable, the parties agree to utilize an alternative index which is as similar to said CPI as reasonably possible.

INSURANCE/CLAIMS

24(a) Lessee shall, at Lessee's expense, maintain comprehensive general liability and property damage insurance insuring against any and all claims for injury to or death of persons and loss of or damage to property occurring upon, in or about the Premises. Such insurance shall provide for combined single limit coverage in the amount of not less than five million dollars (\$5,000,000.00). All such insurance shall name Lessor and Lessee as co-insureds. All such insurance shall be issued by carriers rated "A" or better by Best's Insurance, and shall contain a provision whereby the carrier agrees not to cancel or modify the insurance without twenty (20) days prior written notice to Lessor. Lessee shall furnish Lessor with a certificate evidencing the aforesaid insurance coverage, and renewal certificates shall be furnished to Lessor promptly prior to the expiration date of such policy. Lessor shall, at Lessee's expense, maintain a policy of All Risk Insurance on the Premises in the amount of its replacement value. All proceeds of such insurance shall be payable to Lessor. Any proceeds of such insurance remaining after any restoration shall belong to Lessor. Lessee agrees to reimburse Lessor for the costs incurred by Lessor in providing said All Risk Insurance within thirty (30) days following the presentation of a billing or billings.

24(b). Lessee agrees that Lessor shall not be liable for any claims for death or injury to persons or damages to or destruction of property sustained by Lessee or by any other person in the Premises, including without limiting the generality of the foregoing, any claims caused by or arising from the condition or maintenance of any part of the Premises, unless such damage is caused by the sole negligence of Lessor. Lessee hereby waives all claims therefore and agrees to indemnify Lessor against any such loss, damage or liability or any expense incurred by Lessor in connection therewith, including attorneys fees and costs.

24(c). Lessor and Lessee shall each procure an appropriate clause in, or an endorsement on, any policy of fire or extended coverage insurance covering the Premises, and the personal property, fixtures, and equipment located in or on the Premises, pursuant to which the insurance companies waive subrogation or consent to a waiver of rights of recovery. Each party hereby agrees that it shall not make any claim against or seek to recover from the other for any loss or damage resulting from the fire or other hazards covered by such insurance, notwithstanding other provisions of this Lease and hereby releases the other and waives all rights of recovery against the other for any loss from perils covered by such insurance; provided, however, that the release, discharge, exoneration and covenant not to sue herein contained shall be limited by the terms and provisions of the waiver of subrogation clauses or endorsements consenting to a waiver of right of recovery, and shall be coextensive therewith; provided further, however, that notwithstanding the foregoing, this paragraph and the obligations hereunder shall be inapplicable if it would have the effect of invalidating any insurance coverage of the Lessor or Lessee.

HEIRS AND SUCCESSORS

25. Subject to the provisions hereof pertaining to assignment and subletting, the covenants and agreements, including, but not limited to, the right of first refusal, as provided in this Lease, shall be binding upon the heirs, legal representatives, trustees, successors, and assigns of any or all of the parties hereto.

SEVERABILITY


26. All parts, portions, and provisions of this Lease shall be deemed separate and severable. If any part, portion, or provision shall be held to be invalid, the rest of this Lease with said part, portion, or provision deleted shall be given full force and effect.

RIDERS

The riders, if any, attached hereto, are hereby made a part of this Lease by reference.

EXECUTED at Seattle, Washington, this 2ND day of JANUARY, 1997.


HARALD L. HURLEN


HURLEN CONSTRUCTION COMPANY
BY: HARALD L. HURLEN, Its President

STATE OF WASHINGTON)

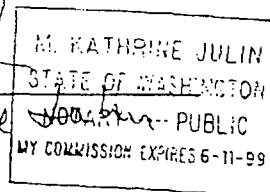
) ss.

COUNTY OF KING)

On this 19 day of January, 1997, before me, the undersigned, a notary public in and for the State of Washington, duly commissioned and sworn, personally appeared Harald L. Hurlen, to me known to be the individuals described in and who executed the foregoing instrument, and acknowledged to me that they signed and sealed the said instrument as their free and voluntary act and deed, for the uses and purposes therein mentioned.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.

M. Katharine
 Typed Name: M. Katharine
 NOTARY PUBLIC in and for the
 State of Washington, residing
 at: Issaquah
 Commission Expires: 6/11/99



STATE OF WASHINGTON)

) ss.

COUNTY OF KING)

On this _____ day of _____, 199__, before me, the undersigned, a notary public in and for the State of Washington, duly commissioned and sworn, personally appeared _____, to me known to be the individuals described in and who executed the foregoing instrument, and acknowledged to me that they signed and sealed the said instrument as their free and voluntary act and deed, for the uses and purposes therein mentioned.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.

 Typed Name: _____
 NOTARY PUBLIC in and for the
 State of Washington, residing
 at: _____
 Commission Expires: _____

EXHIBIT A - "Premises"

PARCEL A: STREET ADDRESS: 700 SOUTH RIVERSIDE DRIVE, SEATTLE, WASHINGTON.

LOT 12-22, BLOCK 40, PLAT OF RIVERBANK ADDITION TO THE CITY OF SEATTLE, COUNTY OF KING, STATE OF WASHINGTON, TOGETHER WITH:

PORTION OF THE ABANDONED BED OF THE DUWAMISH RIVER IN THE SOUTHWEST QUARTER OF SECTION 29, TOWNSHIP 24 NORTH, RANGE 4 EAST, W.M., IN KING COUNTY, WASHINGTON, LYING BETWEEN THE SOUTHWESTERLY LINE OF THE DUWAMISH WATERWAY AND THE NORTHEASTERLY LINE OF BLOCK 40, PLAT OF RIVER PARK, AND SOUTHEASTERLY OF THE PRODUCTION NORTHEASTERLY OF THE SOUTHEASTERLY LINE OF LOT 18, SAID BLOCK 40; AND

PORTION OF THE ABANDONED BED OF THE DUWAMISH RIVER IN THE SOUTHWEST QUARTER OF SECTION 29, TOWNSHIP 24, NORTH, RANGE 4 EAST, W.M., IN KING COUNTY, WASHINGTON, LYING BETWEEN THE SOUTHWESTERLY LINE OF THE DUWAMISH WATERWAY AND THE NORTHEASTERLY LINE OF BLOCK 45, PLAT OF RIVER PARK, AND THE TERMINAL END OF THE STREET ADJACENT, AND NORTHWESTERLY OF THE PRODUCTION NORTHEASTERLY OF THE NORTHWESTERLY LINE OF BLOCK 40, SAID PLAT

PARCEL B: STREET ADDRESS: 582 SOUTH RIVERSIDE DRIVE, SEATTLE, WASHINGTON.

LOTS 1 AND 2, BLOCK 52, RIVER PARK, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 7 OF PLATS, PAGE 41, IN KING COUNTY, WASHINGTON, EXCEPT THAT PORTION LYING WITHIN THE RIGHT OF WAY OF DUWAMISH WATERWAY AS CONDEMNED BY COMMERCIAL WATERWAY DISTRICT NO. 1 IN KING COUNTY SUPERIOR COURT CAUSE NUMBER 82673;

TOGETHER WITH THOSE PORTIONS OF VACATED SOUTH RIVERSIDE DRIVE AND SOUTH WEBSTER STREET THAT ATTACHED THERETO BY OPERATION OF LAW;

TOGETHER WITH THAT PORTION OF SOUTH WEBSTER STREET AND SOUTH RIVERSIDE DRIVE AS VACATED BY THE CITY OF SEATTLE, ORDINANCE NUMBER 95172, IN KING COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST WESTERLY CORNER OF BLOCK 45, PLAT OF RIVER PARK, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 7 OF PLATS, PAGE 41, IN KING COUNTY WASHINGTON; THENCE NORTHWESTERLY ALONG THE NORTHWESTERLY PRODUCTION OF THE SOUTHWESTERLY LINE OF SAID BLOCK 45,

TO A LINE 40 FEET NORTH FROM AND PARALLEL WITH THE WESTERLY PROLONGATION OF THE NORTH LINE OF SAID BLOCK 45 AND THE TRUE POINT OF BEGINNING OF THIS DESCRIPTION; THENCE SOUTHEASTERLY ALONG THE SOUTHWESTERLY LINE OF SAID BLOCK 45 PRODUCED A DISTANCE OF 15.00 FEET; THENCE NORTHEASTERLY AT RIGHT ANGLES TO SAID LAST DESCRIBED PROLONGATED LINE 20.00 FEET TO A LINE 40 FEET NORTH OF AND PARALLEL WITH THE WESTERLY PROLONGATION OF THE NORTH LINE OF SAID BLOCK 45; THENCE WESTERLY ALONG SAID PARALLEL LINE 25 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL C: STREET ADDRESS: 620 SOUTH RIVERSIDE DRIVE, SEATTLE, WASHINGTON.

LOTS 6, 7, 8, 9 AND 10, BLOCK 45, RIVER PARK, ACCORDING TO THE PLAT RECORDED IN VOLUME 7 OF PLATS, PAGE 41, IN KING COUNTY, WASHINGTON.